

Exhibit 27

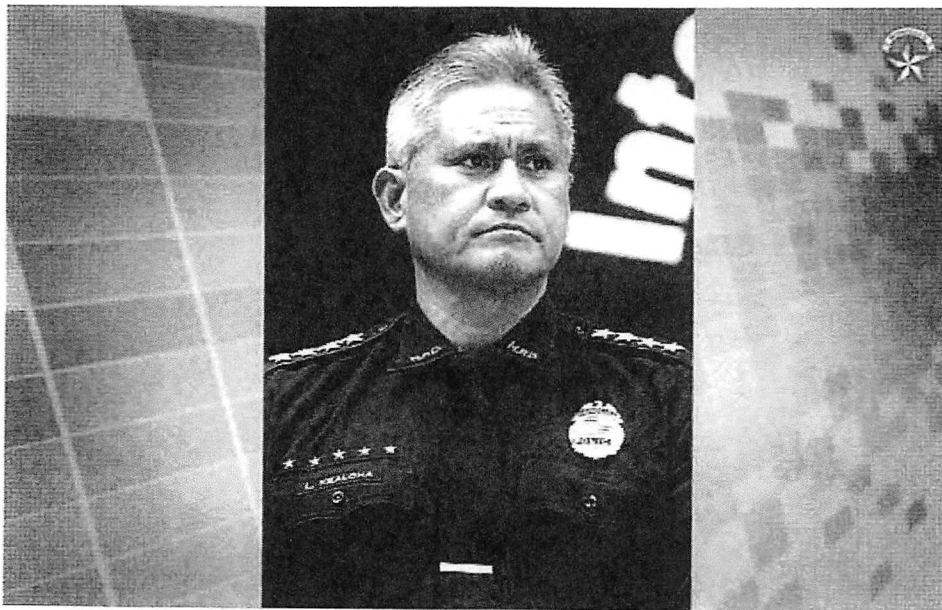


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Hawaii News

Commission defends bypassing HPD brass on Kealoha buyout

By Gordon Y.K. Pang
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Louis Kealoha:

The police chief will retire Feb. 28, under terms of his severance agreement

The Honolulu Police Commission bypassed Honolulu Police Department brass in authorizing a \$250,000 severance check to outgoing Police Chief Louis Kealoha from what appears to be HPD money, but the commission chairman said the panel followed the law in doing so.

EXHIBIT L

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After the commission voted 5-1 on Jan. 18 to approve the severance payment, the check was processed by the city Department of Budget and Fiscal Services and delivered on Jan. 27 to the office of Kevin Sumida, one of Kealoha's attorneys, Police Commission Chairman Max Sword said in an email to the Honolulu Star-Advertiser.

"Given that the Police Commission is the appointing authority of the chief, the approval of Acting Chief Cary Okimoto was not required to make the payment," Sword said. "With the approval of the agreement, it was the Police Commission that authorized the severance payment."

The payment was not mentioned by Sword during a commission meeting Feb. 1, although HPD Acting Chief Cary Okimoto and Deputy Chief William Axt raised concerns that the money would be taken from funding sources already dedicated to department operations.

Okimoto has made it clear he was not happy that HPD funds were to be used to pay the severance, and he noted publicly that neither he nor other HPD brass were informed about the agreement reached between Kealoha and the commission. On Wednesday, Okimoto declined to answer questions. But HPD spokeswoman Michelle Yu, in response to the questions, said in an email: "The department stands by its earlier statement that HPD personnel did not participate in any part of the payment process."

Kealoha is to retire on Feb. 28 under the agreement. The chief and his wife, city Deputy Prosecutor Katherine Kealoha, have been under investigation by federal officials into allegations of corruption tied to a family dispute.

The chief placed himself on paid administrative leave Dec. 20, the day he was informed by the FBI that he was the target of an investigation. He is to return the money if within the next seven years he is convicted of a felony.

The check given to Kealoha "was a severance payment, which is a type of salary or wages," Sword said. "I understand there have been other situations in which an employee has separated from the city with a severance payment. In those situations, the payment is processed as a payroll payment from the affected department's budget."

The voluntary, seven-member commission is responsible for hiring and firing the chief, as well as other duties such as advising the chief on the budget and punishment for officers it has investigated and found guilty of a felony.

But neither the Honolulu City Charter nor the Revised Ordinances of Honolulu, the two key documents that dictate how the City and County of Honolulu operates, contain specific language allowing the commission the authority to spend HPD money or to instruct HPD to spend money.

The Honolulu Salary Commission sets the annual pay for the police chief, currently \$182,088.

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Sword, however, said "in this case, the Honolulu Police Department includes the Honolulu Police Commission, the chief of police and the HPD staff, so the severance payment was paid from the HPD's salaries budget."

Dan Grabauskas, the former chief executive of the Honolulu Authority for Rapid Transportation, received a \$282,250 severance as part of the mutual agreement he reached with the HART board that led to his departure. But the HART board, unlike the police commission, is authorized specifically to negotiate pay with its chief executive.

Sword noted that HPD is projected to have a surplus of more than \$1 million in its current expenses account when the fiscal year ends on June 30. "There are more than enough funds in the HPD's budget to cover not only the severance payment, but also the HPD's ongoing work in protecting the public's health and safety," he said.

The current expenses accounts of city departments, however, are not typically used to pay salaries and wages. City Council approval for a transfer of funds from current expenses to the salaries and wages account may have been required. All transfers between accounts greater than \$100,000 or 10 percent of a fund require approval by the Council.

It's unclear whether such approval was necessary because, to date, the city has yet to respond to the Star-Advertiser's request for a copy of the check received by Kealoha or any documents showing the precise source of those funds.

City Councilman Ernie Martin, who previously had opposed the payout to Kealoha, last week urged the commission to "fully disclose the source of funds and the authority that was exercised to comply with the \$250,000 severance."

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